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FEDERAL COMMUNICATIONS COMMISSION
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Introduction

On behalf of the Central Susquehanna Intermediate Unit, an Educational Service Agency supporting schools districts in Pennsylvania, we would like to thank the Commission for the opportunity to comment on the E-rate program.

The Central Susquehanna Intermediate Unit (CSIU) has provided E-Rate assistance to numerous school districts since the first year of this program. During the current funding year, the CSIU assisted over 40 school districts directly in addition to providing statewide support for districts purchasing E-Rate eligible equipment through a state-wide consortium bid.

Of the 40 school districts that we work directly with, the discounts range from 40% to 80%, and the discount requests range from $3,000 to $350,000.00 depending on the size of the school. We have assisted districts in appeals, consortium applications, and most recently in a selective review request.

Importance of E-Rate Program

E-rate is a very important part of school instruction and its success in bringing Internet connectivity to schools has been documented extensively. In many rural areas, there are limited options for Internet and connectivity. Without E-rate discounts many rural schools would not be able to sustain high-speed Internet service or are able to extend that service throughout the district without a financial hardship.

In one 80% discount school district, they are faced with minimal industry growth, declining and aging population in a rural mining community. Sadly the mission of the school district is to simply prepare students to leave the area for secondary education or seek employment.

This district has wired several computer labs, secured server equipment and high-speed Internet access using state grants and E-rate discounts. These labs are scheduled all day by students for Internet research for science, social studies, as well as mathematics and writing assignments in English. Without E-Rate the district would not have been able to make these improvements.

Currently the district is requesting discounts to extend Internet access and cable their elementary buildings and will proceed only if they receive E-rate.

Economic Development Impact

E-rate has also had an Economic Development impact in rural locations. In many rural areas, the school district is the largest Internet bandwidth consumer. While metropolitan areas enjoy multiple Internet service offerings and providers, most rural areas have a single provider or in some case no provider.

This becomes a "chicken and egg" type problem. Without E-rate discounts, these schools cannot afford high-speed Internet access; without customer demand, Internet Service Providers find it difficult to "build" high-speed Internet access into those regions.

In the first year of E-rate, the CSIU established a regional network of school districts to provide high-speed Internet access. In the surrounding 5 counties, there were 5 separate telephone companies, limited high-speed Internet access and T1 or ISDN capabilities.

By using E-rate discounts, the CSIU was able to aggregate school district demand and encourage a local cable company to invest in fiber and ATM infrastructure. Many businesses, local government agencies, health care organizations and universities have taken advantage of this provider's infrastructure.

While it is possible that this infrastructure would have eventually been built, we feel that E-rate played a pivotal role in making this service affordable for schools, and creating the demand for this service-provider to invest in infrastructure.

Improvements

There have been many improvements to the program that have helped make this program more applicant friendly. These improvements include:

- On-line 470, 471 and 486 forms and permitting electronic signatures;
- Electronic submission of Item 21 attachments and other application correspondence;
- Updated and more user-friendly reference area on the SLD web site;
- Satellite teleconference and on-site visits by SLD staff to review program first-hand;
- Extending and standardizing on application deadlines to avoid peak periods such as the start of school;
- Establishing a Data Retrieval Tool allowing districts to view application and funding information;

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- Quicker response time for funding commitments and appeals.

These improvements have made a significant improvement to the E-rate program and we thank the Commission and the SLD for their efforts.

ADDITIONAL IMPROVEMENTS

Elimination of Form 470

Elimination of the Form 470 for specific applications such as local telephone service would help streamline the application process. Most schools and libraries have or seek contracts for long distance, cellular, Wide Area Networks or Internet access. While schools and libraries must post a Form 470 for local telephone service, most never receive any proposals or options for this service. As a result most districts specify "T" tariffed or "MTM" month to month for this service and select their local telephone company.

In the districts that we assist, we find that local telephone service represents the largest discount request, followed by Internet Access and Wide Area Network. Eliminating the Form 470 requirement for local telephone service would make it easier for districts to apply for their largest percentage of their discounts.

BEAR Reimbursement and Discounts

We are discovering that most service providers are not discounting invoices and are requiring schools and libraries to file BEAR forms. One of the challenges in the BEAR process is determining and locating appropriate staff at the service provider to approve the BEAR form, especially in non-telecommunications companies, or companies that have merged during the year.

The BEAR reimbursement process does cause a budgeting problem for schools, who must pay the full cost up-front and sometimes receive reimbursements after their fiscal year June 30th as ended.

Ideally service providers should be encouraged to discount invoices as originally intended if possible. Realistically, this has proven to be very difficult, and will probably continue.

There are several options available to improve this process:

- Require vendors to communicate BEAR submission information and contacts to schools when they receive funding commitment decision letters from the SLD;
- Require vendors to establish a common email address bearapps@mycompany.com that schools use for BEAR communications;

- Designate a resource person or number at the SLD where schools and libraries can call and get the most up to date BEAR information.

BEAR Reimbursement Checks

The current invoicing and reimbursement process could be improved.

Schools and libraries know when they have submitted a BEAR form, receive a funding disbursement sheet regularly, but do not have any idea when they will receive the reimbursement from the service provider. In most cases there is little documentation or explanations accompanying the check from the service provider, so districts need to monitor the status of their reimbursements closely.

Our recommendation would be that the current BEAR approval process remain, but reimbursement funds be paid directly from the SLD to the school or library.

Internal Connection Funding

Internal connections remain an important part of E-rate for many schools and libraries. The current funding levels ensures that the poorest districts receive funding, but many schools in the 70 to 80% discount level find themselves too poor to purchase or upgrade infrastructure and not poor enough to qualify for Internal Connection discounts.

While 90% discount level districts continue to receive discounts to improve their infrastructure, year after year, some are now exceeding the capabilities of 70 to 80% districts. Unless more Internal Connection funding is available for those levels, the poorest districts will exceed the less poor districts in capacity and bandwidth.

Although we feel the best way to approach a solution is through an expanded Notice of Proposed Rule Making on this subject, we support the following recommendations:

- Funding Internal Connections for schools up to 2 years in a row.
- Requiring schools that have received funds for 2 years to wait 3 years before re-applying.

This would ensure that schools can plan for Internal Connections and be able to spread the project costs over 2 years. Also the average usable life span of network equipment is at least 3 to 5 years. Permitting high discount percentage schools to continually purchase equipment, provides them an incentive to continually upgrade their equipment irregardless of the age or state of the existing.

In addition, there is consideration being given to increasing the local match on internal connections in order to reduce the number of schools and libraries willing to participate and therefore getting below the 90 percent funding level. We urge the Commissioners to examine this idea closely. Increasing the amount that local schools and libraries are required to match in a time when state and local fiscal shortfalls are mounting, might preclude those high-poverty and rural districts from participating altogether. This could potentially threaten complying with the overall mission of the program, to increase connectivity in high-poverty and rural areas. Those districts with 80 percent discount levels also contain high levels of poverty and there is no backing to ensure their participation if the local match was increased. We want to ensure that changes made in this area are considered both for who the help and who they might hurt.

Unfortunately many high-discounted schools may have entered into multi-year support/service agreements with companies assuming that funding would always be available at their discount level. Eliminating funding for those schools would create a hardship, and I would recommend that districts with existing multi-year contracts in place be evaluated on an individual basis.

Fraud and Abuse

The recent fraud and abuse problems do not appear to be widespread. Our experience has been that major telecommunications companies and Internet Service Providers are experienced with other similar telecom regulations and understand the E-rate program guidelines.

Public school districts are audited and are concerned about appropriate usage of public funds, and districts that may have contracted with fraudulent vendors probably did so unknowingly. Communications is critical to alert and educate schools of the program rules and guidelines. In Pennsylvania, the Department of Education has a list serve and advises schools of questionable practices such as "bundled" Internet services to steer clear from.

While I have not experienced any questionable vendors or practices directly, I believe the steps that the SLD has taken this year to be very effective.

The SLD has been very thorough in evaluating contracts, invoices as part of their Program Integrity review. While this does require more effort on behalf of the school district – SLD staff have been fair and understanding of district timelines.

The selective review process is extensive and ensures that schools and vendors are complying with the requirements of the program. Again this does require more effort on behalf of the school districts, but it helps maintain the integrity of this program.

My recommendation would be that a selective review or similar process be implemented for a specific Internal Connection or Internet Access requests over a set amount. Since regulated telecommunication carriers typically deliver local, long distance and cellular service, there is little opportunity to creatively bundle additional or non-eligible services.

Conclusion

The E-rate program has been very successful in bringing technology resources to schools especially in rural areas. Without E-rate, many rural areas would still have limited dial-up Internet access and connectivity between their buildings. With initiatives such as No Child Left Behind building upon this infrastructure, it is important that schools be able to maintain adequate infrastructure and Internet bandwidth.

There have been many improvements to the program and the FCC and SLD are to be commended for their efforts and dedication. Today's forum is evidence of this commitment and I thank you for the opportunity and support you have provided schools, students and their communities.